

HIT FINANCING ESTIMATE FOR NONPROFIT LONG-TERM CARE PROVIDERS IN CALIFORNIA

The following is a rough cost estimate to project HIT financing needs for *nonprofit* long-term care providers in California.

LONG-TERM CARE PROVIDERS BY OWNERSHIP:

Skilled Nursing Facilities (SNF):

Investor Owned: 864

Not-For-Profit: 137

Governmental: 2

Assisted Living/Residential Care Facilities for the Elderly (RCFEs)

The State Dept. of Social Services (DSS) does not track ownership type. However, there are 7,872 RCFEs, the vast majority of which are the small 6-bed “board and care” facilities. The number of large RCFEs (~30+ units) is much smaller. Aging Services of California has 126 *nonprofit* Assisted Living members:

105 are part of a CCRC or MLRC (multi-level retirement communities) and 21 are stand-alone.

Home Health Agencies:

For-profit: 839

Nonprofit: 157

State, University, Municipality: 40

Unknown (nonresponders): 266

HIT INFRASTRUCTURE FINANCING NEED ESTIMATE:

I. Skilled Nursing Facilities:

Bringing a 180 bed skilled nursing facility up to full EMR/HIT capability can cost up to \$675,000 without ongoing maintenance, which can add up to \$210,000 over 60 months. Please see (<http://www.ahima.org/meetings/ltc/documents/SigmaCareCaseStudy.pdf>). The estimate includes professional services including workflow analysis, and interfacing with other applications, and if the system is interoperable some additional costs may be needed for interfacing with the Exchange.

Assuming an average size of 100 bed skilled nursing facility and starting from scratch (which is safe, since only 20% have a system that needs to be replaced or upgraded) we feel **\$250,000 per facility is a reasonable estimate**. For facilities that have extensive networking and IT infrastructure in place we can probably expect a minimum of \$50,000 investment.

$\$250,000 \times 137 \text{ nonprofit SNFs} = \34.25 million

II. Assisted Living (RCFEs):

Assuming an average of 50 units (among larger RCFE's, not counting small 6-bed "board and care") one could roughly project this cost to be **\$150,000 per facility**.

\$150,000 X ~130 nonprofit larger RCFEs = \$19.5 million

III. Home Health

Because of the widely varying nature of home health agencies, it is more difficult to estimate costs. We expect HIT costs for home health agencies to cost less because of less infrastructure and because they generally have some electronic health infrastructure already in-place (higher adoption of HIT and point-of-care then in other settings). Therefore we estimate average costs of **\$75,000 per agency**.

\$75,000 X ~160 nonprofit Home Health Agencies = \$12 million

TOTAL -- Nonprofit SNF, RCFE, Home Health: ~ \$66 million

Note: This estimate is for actual costs. We do not believe all providers would choose to take advantage of the financing offered.

Readiness Background:

"Readiness" data is from a California Health Care Foundation report *"Health Information Technology: Are Long Term Care Providers Ready?"* April 2007, as summarized in CAST's whitepaper on the *"State of Technology in Aging Services in California"* below:

"Among long-term care providers in California, approximately 21 percent of nursing facilities and 17 percent of residential care facilities for the elderly (RCFEs) – California's licensed assisted living facilities, use some type of EHRs for clinical functions. Such applications include assessments and progress note documentation; medication and treatment administration; care planning; electronic prescribing; and decision-support tools. However, not all of these providers can be accurately described as full EHR adopters (see figure 1). In general, the use of HIT in long-term care varies by functionality and provider type. However, with regard to financial and certification reporting to government payers, most nursing homes and RCFEs use HIT. All participating nursing homes are required to use electronic systems for minimum data set (MDS) reporting. Likewise, all publicly-funded home and community based service (HCBS) providers serving older adults are required by the California Department of Aging to electronically report service information for billing purposes. With regard to overall HIT adoption beyond financial reporting, nursing facilities affiliated with a hospital or multi-facility organization are two to three times more likely to employ HIT. Forty-four percent of RCFEs have adopted some kind of HIT.

More specifically, survey data shows that use of HIT for clinical charting functions such as assessments and progress note documentation; treatment administration; care planning; ePrescribing; and decision-support tools is approximately 21 percent for nursing homes and 17 percent for RCFEs. However, more RCFEs utilize medication administration applications than do nursing facilities, 22 percent and 18 percent, respectively."

CONTACT:

**Scott Peifer, Associate Director, State Policy
Center for Aging Services Technologies (CAST)**

American Association of Homes and Services for the Aging

(916) 842-7341

speifer@aaahsa.org

www.agingtech.org